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Nicaragua draining its treasury to pay for war

By Van Pulley
Special to The Christian Science Monitor
Esteli, Nicaragua

Up and down the rows of houses, Nicaraguans watched solemnly as some 20 trucks jammed with soldiers passed through this northern town on their way south.

These battalions of the "popular militia" were returning home after months of fighting counterrevolutionary groups in the border region near Honduras.

"What are we to do?" asked Doñna Elena, a shopkeeper in Esteli, as the trucks roared by her house on the Pan American Highway. "Every day, it is getting harder for us to make ends meet."

Nicaragua's Sandinista leaders admit that the cost of fighting counterrevolutionary forces slipping across the border from Honduras is draining the economy.

The Sandinistas say the revenues from the state sector – which are about 40 percent of the nation's gross domestic product – are needed to finance social services for the poor and maintain an army estimated at 22,000 to fight the counterrevolutionary forces that they say are backed by the United States. Critics charge that the Sandinista plans for social reform are undermining the economy and energy of the free market.

The war threatens to crimp the government's social initiatives – the literacy campaign and health care – begun in the early days of Sandinista rule.

The World Bank says private investment in the economy shrank from 80 percent of the total before the revolution to 10 percent in 1981 due to an uncertain economic and political climate that prevails in the country.

But the war and austerity moves are not causing wide discontent here. In fact, the war appears to be promoting national unity.

Nicaraguans by and large seem more understanding of what their Sandinista leaders are doing now than they were last year. For example, when the Argentine-British war over the Falklands Islands pulled the international spotlight away from this corner of Central America last spring, many Nicaraguans bagan to criticize the Sandinista leadership. They began asking "Why isn't there enough sugar?" and "When are we going to have elections?"

The Rev. Martin Mateo, director of the Agricultural School in Esteli, explains the change this way: "While the truth is that Nicaragua's problems are caused by three things, American pressure, government inexperience, and the international financial crisis, the government can pass their part of the blame off on the US because of the intervention. The Sandinistas have never been stronger."

Hit-and-run border incursions by groups attempting to shake the Sandinista government were taking place as long ago as 1981. But the scale of such operations has greatly increased and the economy has fallen into serious decline since that time.

When the Sandinistas came to power in 1979 after toppling dictator Anastasio Somoza Debayle, they called for sweeping economic and social reform. They sought to reduce inequalities between the rich and poor [illegible] my with both pu

According to the [illegible] Nicaraguan Institute for Economic and Social Studies and former key official at the Ministry of Planning, one reason for the country's economic problems is the falling world prices for Nicaragua's major export crops.

"The problem is not so much with the volume of production, but with the value," Fr. Gorostiaga says. "Sugar sold for 24 cents per pound two years ago. Now it's at 9 cents. We lost perhaps $140 million in 1982 from the deterioration in the terms of trade, reducing our total export earnings to about $450,000. This is one thing holding back our reform process."

Filtered cigarettes and medicine are the latest in a long list of items scarce in the country. The government has rationed gasoline and sugar since 1981 to prevent speculation and hoarding. Motorists lined up for hours in Managua at the end of last year to pay $3 for a gallon of gas, even though they were restricted to five gallons per week. The rationing has caused severe overcrowding on the public transportation system, which had always been somewhat crowded.

In addition to fighting the counterrevolutionaries, the Sandinistas fight a constant battle in the marketplace against food shortages and price gouging. Problems have been exacerbated when opposition elements have at times deliberately spread rumors of impending shortages to trigger panic.

The National Law of Economic Emergency passed in 1981 made it a punishable offense to hoard, speculate, or disseminate false information through any means that might provoke people to take such action. It also prevents strikes that have been encouraged by ultra-leftist labor unions and gives the government more control over prices and the economy. The government also announced this year it will take over all marketing of cooking oil, flour, and soap – basic commodities in short supply.

The Sandinistas have had difficulty controlling the Nicaraguan economy in practice. Distribution of many basic foodstuffs, especially outside Managua, is inadequate.

Spot checks at several stores and markets in the country proved that dual pricing exists for many basic commodities that the government has tried to control.

Overall food consumption is up 40 percent over pre-revolutionary level, but a 1982 Managua survey was inconclusive about improvements in the diet of the poor. Demand and rising revolutionary expectations continue to outstrip the country's current productive capacity forcing reliance on expensive imports.

There were hopes of improving the food situation in 1982, but natural disasters hurt production. Flooding in May of last year destroyed 20,000 acres of just-planted basic grain crops, $3.6 million in stored grains, and left $350 million in damages to the national economic infrastructure according to a United Nations survey. A drought followed in July and August causing estimated losses of $47 million.

Most Nicaraguans now seem to believe the US is intervening in their country and making things worse. This has made the scarcity of goods unimportant to some by comparison.

Officials in the Reagan administration has expressed

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